

**A-Engrossed**  
**House Bill 2588**

Ordered by the House July 2  
Including House Amendments dated July 2

Sponsored by Representative HOLVEY (Presession filed.)

**SUMMARY**

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

*[Imposes severance tax on harvest of timber from forestlands in Oregon at rate of \$19 per thousand feet, board measure, to fund income tax credit for milling of logs in Oregon, to fund fire suppression and for distribution to counties.]*

**Imposes tax on harvest of timber from forestlands in Oregon of \$10 per thousand feet, board measure, to fund fire suppression, to fund watershed conservation and for distribution to counties.**

Applies to tax years beginning on or after January 1, 2016.

Takes effect on 91st day following adjournment sine die.

**A BILL FOR AN ACT**

1  
2 Relating to a severance tax on the harvest of timber; creating new provisions; amending ORS  
3 321.005, 321.015, 321.017, 321.145 and 321.152; prescribing an effective date; and providing for  
4 revenue raising that requires approval by a three-fifths majority.

5 **Be It Enacted by the People of the State of Oregon:**

6 **SECTION 1.** ORS 321.015 is amended to read:

7 321.015. (1) For the calendar years beginning January 1, 2014, and January 1, 2015, there is  
8 levied a privilege tax of 84.39 cents per thousand feet, board measure, upon taxpayers for the priv-  
9 ilege of harvesting of all merchantable forest products harvested on forestlands. Subject to ORS  
10 321.145, the proceeds of the tax shall be transferred as provided in ORS 321.152 (2) to the Forest  
11 Research and Experiment Account for use for the forest resource research, experimentation and  
12 studies described in ORS 526.215 and for the Forest Research Laboratory established under ORS  
13 526.225.

14 (2) Except as provided in ORS 477.760, in addition to the tax levied by subsection (1) of this  
15 section, there is levied a forest products harvest tax upon taxpayers of 62.5 cents per thousand feet,  
16 board measure, for the privilege of harvesting all merchantable forest products harvested on  
17 forestlands for the payment of benefits related to fire suppression as provided in ORS 321.005 to  
18 321.185, 321.560 to 321.600 and 477.440 to 477.460.

19 (3) For the calendar years beginning January 1, 2014, and January 1, 2015, in addition to the  
20 taxes levied under subsections (1) and (2) of this section, there is levied a privilege tax upon tax-  
21 payers for the privilege of harvesting all merchantable forest products harvested on forestlands in  
22 the amount of 97.27 cents per thousand feet, board measure, for the purpose of administering the  
23 Oregon Forest Practices Act in an amount not to exceed 40 percent of the total expenditures ap-  
24 proved by the Legislative Assembly for this purpose, including salary adjustments approved by the  
25 Legislative Assembly for fiscal years 2014 and 2015.

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted.  
New sections are in **boldfaced** type.

1 (4) For the calendar years beginning January 1, 2014, and January 1, 2015, in addition to the  
 2 taxes levied by subsections (1) to (3) of this section, there is levied a privilege tax of 10 cents per  
 3 thousand feet, board measure, upon taxpayers for the privilege of harvesting all merchantable forest  
 4 products harvested on forestlands. Subject to ORS 321.145, the proceeds of the tax shall be trans-  
 5 ferred as provided in ORS 321.152 (5) to the subaccount established pursuant to ORS 351.681 for use  
 6 by Oregon State University for the purpose of making investments in professional forestry education  
 7 at the College of Forestry.

8 **(5) In addition to the taxes levied by subsections (1) to (4) of this section, there is levied**  
 9 **upon taxpayers a tax of \$10 per thousand feet, board measure, for harvesting all**  
 10 **merchantable forest products harvested on forestlands in this state. Subject to ORS 321.145,**  
 11 **the proceeds of the tax shall be transferred as provided in ORS 321.152 (6) to the Forestland**  
 12 **and County Reserve Fund established under section 3 of this 2015 Act.**

13 [(5)] (6) Subject to subsection [(6)] (7) of this section, the taxes shall be measured by and be  
 14 applicable to each per thousand feet, board measure, on the total quantity of forest products har-  
 15 vested in this state measured by use of any log scale which is or may be in general use in the log-  
 16 ging industry and which is designed to measure total volume of merchantable forest products in  
 17 board feet. However, if the Department of Revenue finds that the scale used by any taxpayer in  
 18 computing the taxes due under ORS 321.005 to 321.185 and 321.560 to 321.600 does not accurately  
 19 reflect the total quantity of merchantable forest products harvested by the taxpayer, it may require  
 20 the taxpayer to adopt another log scale in general use in the industry which in the department's  
 21 opinion will accurately reflect merchantable harvest in board feet.

22 [(6)] (7) The first 25,000 feet, board measure, of forest products harvested annually by any tax-  
 23 payer during each calendar year shall be excluded from the total quantity of harvested forest pro-  
 24 ducts that constitutes the measure of the taxes under ORS 321.005 to 321.185 and 321.560 to 321.600.

25 **SECTION 2.** ORS 321.152 is amended to read:

26 321.152. (1) Subject to ORS 321.145 (2), moneys remaining in the Department of Revenue's sus-  
 27 pense account referred to in ORS 321.145 on February 10, May 10, August 10 and November 10 of  
 28 each year shall be transferred to the respective appropriation accounts described in subsections (2)  
 29 to [(5)] (6) of this section.

30 (2) That part of the moneys derived from taxes levied by ORS 321.015 (1) shall be transferred  
 31 to the Forest Research and Experiment Account described in ORS 321.185.

32 (3) That part of the moneys derived from taxes levied by ORS 321.015 (3) shall be transferred  
 33 to the State Forestry Department Account referred to in ORS 526.060. Notwithstanding ORS 291.238,  
 34 the moneys transferred to the State Forestry Department Account under this section are appropri-  
 35 ated continuously for and shall be used by the State Forester, under the supervision and direction  
 36 of the State Board of Forestry, for the purposes of administering the Oregon Forest Practices Act  
 37 and the forest practices monitoring program.

38 (4) That part of the moneys derived from taxes levied by ORS 321.015 (2) shall be transferred  
 39 to the Oregon Forest Land Protection Fund described in ORS 477.750.

40 (5) That part of the moneys derived from taxes levied by ORS 321.015 (4) shall be transferred  
 41 to the subaccount established [*pursuant to*] **under** ORS 351.152.

42 **(6) That part of the moneys derived from taxes levied by ORS 321.015 (5) shall be trans-**  
 43 **ferred to the Forestland and County Reserve Fund established under section 3 of this 2015**  
 44 **Act.**

45 **SECTION 3.** (1) **The Forestland and County Reserve Fund is established in the State**

1 Treasury, separate and distinct from the General Fund. Interest earned by the Forestland  
2 and County Reserve Fund shall be retained by the fund.

3 (2) Moneys are continuously appropriated from the Forestland and County Reserve Fund  
4 to the Department of Revenue for use in making the following payments:

5 (a) An amount equal to \$5 per thousand feet, board measure, multiplied by the total  
6 harvest subject to the taxes imposed under ORS 321.015, plus an amount necessary to reim-  
7 burse the State Forestry Department for the actual costs incurred by the department in  
8 administering the Forest Fire Reserve Fund established under section 5 of this 2015 Act, to  
9 be transferred to the Forest Fire Reserve Fund.

10 (b) An amount equal to \$1 per thousand feet, board measure, multiplied by the total  
11 harvest subject to the taxes imposed under ORS 321.015, to be transferred to the Watershed  
12 Conservation Grant Fund established under ORS 541.947.

13 (3) Moneys in excess of the amounts required for the payments described in subsection  
14 (2) of this section, determined as of May 1 of each year, shall be distributed on or before  
15 August 15 of each year to each county so that the amount received by each county bears the  
16 same proportion to the amount received by all counties as the amount of revenue received  
17 from taxes under ORS 321.015 (5) on harvests in the county in the preceding year bears to  
18 the total amount of revenue received from taxes under ORS 321.015 (5) on harvests in all  
19 counties in the preceding year.

20 **SECTION 4.** Section 5 of this 2015 Act is added to and made a part of ORS chapter 477.

21 **SECTION 5.** (1) The Forest Fire Reserve Fund is established in the State Treasury, sep-  
22 arate and distinct from the General Fund. Interest earned by the Forest Fire Reserve Fund  
23 shall be retained by the fund.

24 (2) All moneys in the Forest Fire Reserve Fund are continuously appropriated to the  
25 State Forestry Department to pay costs related to any of the following purposes:

26 (a) Prevention or suppression of fires on or around forestlands.

27 (b) Mitigation or repair of damage caused by fires on or around forestlands.

28 (c) Purchase of vehicles, equipment or other resources that will enhance the ability of  
29 the department to carry out the other purposes set forth in this subsection.

30 (d) Reimbursement to the department for the actual costs incurred by the department  
31 in administering the Forest Fire Reserve Fund.

32 (3) An expenditure may be made from the Forest Fire Reserve Fund only if that ex-  
33 penditure cannot be made from the Oregon Forest Land Protection Fund created under ORS  
34 477.750 for any of the following reasons:

35 (a) The moneys in the Oregon Forest Land Protection Fund are insufficient to make the  
36 expenditure.

37 (b) The expenditure is not for a purpose for which the moneys in the Oregon Forest Land  
38 Protection Fund are appropriated.

39 (c) The expenditure would exceed the expenditure limits imposed by ORS 477.755 or is  
40 otherwise prohibited by law.

41 **SECTION 6.** ORS 321.145 is amended to read:

42 321.145. (1) The revenue from the taxes levied by ORS 321.005 to 321.185 and 321.560 to 321.600  
43 shall be remitted to the State Treasurer who shall deposit it in a suspense account established under  
44 the provisions of ORS 293.445.

45 (2) Notwithstanding the provisions of ORS 291.238, the amount of moneys necessary to pay re-

1 funds of the taxes levied under ORS 321.015 (1) to [(4)] (5) hereby is appropriated continuously to  
 2 the Department of Revenue from the suspense account referred to in subsection (1) of this section,  
 3 and shall be used by the department for the payment of all refunds of taxes levied under ORS  
 4 321.015 (1) to [(4)] (5) that have been audited and approved by the department. Any penalties, in-  
 5 terest and taxes then due from the taxpayer shall be applied in that order in computing any refund,  
 6 and only the balance due the taxpayer, if any, shall be refunded. The department shall on its records  
 7 charge each refund against the revenue from the tax with respect to which the refund is made.

8 **SECTION 7.** ORS 321.017 is amended to read:

9 321.017. (1) In addition to the taxes levied under ORS 321.015 (1) to [(4)] (5), there hereby is  
 10 levied a privilege tax upon taxpayers on the harvesting of all merchantable forest products har-  
 11 vested on forestlands in the amount provided in subsection (2) of this section.

12 (2) The rate of tax levied in subsection (1) of this section shall be established annually at the  
 13 beginning of each calendar year by the board of directors of the institute, at a rate not to exceed  
 14 75 cents per thousand feet, board measure, on all merchantable forest products harvested on  
 15 forestlands. The maximum tax rate prescribed by this subsection may be increased by the board of  
 16 directors in an amount equal to the previous year's increase in the Consumer Price Index (Portland  
 17 area -- all items) as published by the Bureau of Labor Statistics of the United States Department  
 18 of Labor for the Portland, Oregon, area.

19 (3) The tax shall be measured by and be applicable to each per thousand feet, board measure,  
 20 and such shall be subject to and determined by the procedures and provisions of ORS 321.015 [(5)  
 21 and] (6) **and** (7).

22 (4) The tax levied by subsection (1) of this section shall be due and payable to the Department  
 23 of Revenue in the manner and procedure, including penalties and interest, as set forth for the col-  
 24 lection of the privilege tax in ORS 321.005 to 321.185.

25 (5) The revenue from the tax levied by subsection (1) of this section shall be remitted to the  
 26 State Treasurer who shall deposit it in a suspense account established under ORS 321.145 (1). After  
 27 payment of refunds, which shall be paid in the same manner as other forest products harvest tax  
 28 refunds are paid in ORS 321.145 (2), the balance of the additional tax imposed under subsection (1)  
 29 of this section shall be deposited in the Oregon Forest Resources Institute Fund.

30 **SECTION 8.** ORS 321.005 is amended to read:

31 321.005. As used in ORS 321.005 to 321.185, 321.560 to 321.600 and 477.440 to 477.460, unless the  
 32 context requires otherwise:

33 [(1) "Board" means the State Board of Forestry.]

34 [(2) "Protected forestlands" means those lands which are protected from the starting or spread of  
 35 fire thereon or therefrom by:]

36 [(a) The State Forester, with the approval of the board;]

37 [(b) The United States of America through contract with the State Forester;]

38 [(c) Any forest protective agency under contract with the State Forester or the board pursuant to  
 39 ORS 477.406; or]

40 [(d) Any forest protective agency, described in paragraph (c) of this subsection, under an agreement  
 41 with the United States of America wherein such agency agrees to protect specific federal forestlands  
 42 and, in return, the United States of America agrees to protect specific lands of such agency.]

43 [(3) "Department" means the Department of Revenue.]

44 [(4) "Committee" means the Emergency Fire Cost Committee.]

45 [(5) "Forestland" means any land producing forest products.]

1       **(1) “Forestland” means any land producing forest products.**

2       [(6)] **(2) “Forest products” means products from harvested timber[, but does not include] other**  
3 **than** products from short rotation fiber grown under agricultural conditions as described in ORS  
4 321.267 (3) or 321.824 (3), western juniper or products from harvested western juniper.

5       [(7)] **(3) “Harvest” means the point at which timber that has been cut, severed, or removed for**  
6 **purposes of sale or use is first measured in the ordinary course of business as determined by refer-**  
7 **ence to common practice in the timber industry.**

8       [(8)] **(4) “Merchantable stand of timber” means any stand on forestlands containing living or**  
9 **dead timber [which] that is being or can be harvested.**

10       **(5) “Owner of timber” means any individual or combination of individuals, partnership,**  
11 **firm, corporation or association of whatever nature holding title to harvested timber by**  
12 **virtue of:**

13       **(a) An instrument of conveyance;**

14       **(b) The harvesting of the timber; or**

15       **(c) The harvesting of the timber and payment therefor.**

16       **(6) “Protected forestlands” means lands that are protected from the starting or spread**  
17 **of fire on the lands or from the lands by:**

18       **(a) The State Forester, with the approval of the State Board of Forestry;**

19       **(b) The United States of America through contract with the State Forester;**

20       **(c) Any forest protective association under contract with the State Forester or the board**  
21 **pursuant to ORS 477.406; or**

22       **(d) Any forest protective association described in paragraph (c) of this subsection under**  
23 **an agreement with the United States of America pursuant to which the association agrees**  
24 **to protect specific federal forestlands and, in return, the United States of America agrees**  
25 **to protect specific lands of the agency.**

26       [(9)] *“Taxpayer” means the owner of timber at time of harvest.*

27       [(10)] **(7) “Taxes” means the taxes provided for in ORS 321.015.**

28       [(11)] *“Owner of timber” means any individual or combination of individuals, partnership, firm,*  
29 *corporation or association of whatever nature holding title to harvested timber by virtue of:]*

30       [(a)] *An instrument of conveyance;*

31       [(b)] *The harvesting of the timber; or*

32       [(c)] *The harvesting of the timber and payment therefor.*

33       **(8) “Taxpayer” means the owner of timber at time of harvest.**

34       [(12)] **(9) “Timber” means all logs [which] that can be measured in board feet and other forest**  
35 **products as determined by Department of Revenue rule.**

36       **SECTION 9. Sections 3 and 5 of this 2015 Act and the amendments to ORS 321.005,**  
37 **321.015, 321.017, 321.145 and 321.152 by sections 1, 2, 6, 7 and 8 of this 2015 Act apply to tax**  
38 **years beginning on or after January 1, 2016.**

39       **SECTION 10. This 2015 Act takes effect on the 91st day after the date on which the 2015**  
40 **regular session of the Seventy-eighth Legislative Assembly adjourns sine die.**